

FISCAL YEAR 2010 AUDIT ISSUE UPDATES

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Education Audit Division



Overview of the 2010 Audit Plan

New Look for Institutional Audit Reports

Standards Updates – “The Good , the Bad and the Ugly”

What’s in for 2010!

Questions?



OVERVIEW OF THE 2010 AUDIT PLAN



EAD - AUDIT PLAN OBJECTIVES

To conduct work sufficient to render an opinion on the Higher Education component of the Consolidated Annual Financial Report (CAFR) encompassing the Financial Statements of the Board of Regents and its related units and the Statewide Single Audit.

Conduct work sufficient to evaluate the budgetary Financial Statements of the Higher Education component of the Budgetary Compliance Report – “surplus”



Types of Engagements

For Units of the University System of Georgia, the Department of Audits will conduct the following types of engagements for Fiscal Year 2010:

- Audits
- Full Disclosure Management Reports (By-Product Report) for re-accreditation purposes
- Agreed Upon Procedures Reports



AUDITS

Regents Central Office
Georgia Institute of Technology
Georgia State University
Medical College of Georgia
University of Georgia
Fort Valley State University
Georgia Southern University
Kennesaw State University
Armstrong Atlantic State University
Abraham Baldwin Agricultural College
Valdosta State University
North Georgia College and State University
Georgia Perimeter College

FULL DISCLOSURE MANAGEMENT REPORTS

Augusta State University
Albany State University
College of Coastal Georgia
Bainbridge College
Savannah State University
Atlanta Metropolitan College

AGREED UPON PROCEDURES REPORTS

Dalton State College
Darton State College
Clayton State University
Columbus State University
Georgia College and State University
Georgia Southwestern University
North Georgia College and State University
Southern Polytechnic State University
State University of West Georgia
Georgia Gwinnett College
Georgia Highlands College
Gainesville College
Gordon College
Macon State College
Middle Georgia College
South Georgia College
Waycross College
Skidaway Institute of Oceanography



FEDERAL COMPLIANCE TESTING

STUDENT FINANCIAL AID CLUSTER

- Georgia State University
- Albany State University
- Fort Valley State University
- College of Coastal Georgia
- Georgia Perimeter College
- University of West Georgia
- Savannah State University

FEDERAL STIMULUS TESTING

- Federal Stabilization Funds (Fund 10900) CFDA #84.394
- Other Federal Stimulus Funds



2010 AUDIT PLAN TIMELINE AND DUE DATES

- Planning and Internal Control Testing on Audits should begin in July.
- For audit engagements, financial work will have to start in July or early August.
- Fieldwork for all College/University CAFR coverage engagements for Fiscal Year 2010 must be finished in October
- Review of Foundation financial statement reports completed by October 30
- Review of Single Audit Reports of other independent auditor for UGA, Ga Tech, Georgia State, Medical College and foundations by December 1



2010 AUDIT PLAN TIMELINE AND DUE DATES

- Summary Status of PY Finding Forms to SAO – July 15
- Salary, Travel and Professional Services Due – Aug 16
- Schedule of Expenditures of Federal Awards (SEFA) Due – Aug 13
- Surplus Due – Oct 1
- Payment and Obligations Data due – Oct 15
- Draft reports to BOR System Office from DOAA – Nov 3
- Anticipated Release of the Budgetary Compliance Report of the State of Georgia – Dec 3
- Anticipated Release of the CAFR – Dec 17
- Anticipated Release of the Statewide Single Audit - Feb 17



ENGAGEMENT CLOSEOUT PROCESS

Exit Conference – Closure Letter Process will be explained, Representation Letter, Summary of Corrected and Uncorrected Misstatements and copies of draft findings

Closure Letter Package – Draft Report including findings, Closure Letter, CAP Instructions (Sent via E-mail)

Response Requested within 5 business days

Second Request will be made on 6th business day

After 10 Business Days – Board of Regents (Vikki Williamson) will be contacted.

NEW LOOK FOR INSTITUTIONAL AUDIT REPORTS



NEW LOOK OF THE 2010 REPORTS



**PEACHTREE STATE
UNIVERSITY
ATLANTA, GEORGIA**

MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2010

A Member Institution of the
University System of Georgia



Georgia Department of
Audits and Accounts

Russell W. Hinton
State Auditor

For - Full Disclosure
Management Reports
and Agreed Upon
Procedures Engagements



NEW LOOK OF THE 2010 REPORTS

FOR AUDITS:

- You design the cover!!!!
- Submit personalized cover to auditors with AFR in Word or pdf
- Cover must include the following components:
 - Entity Name
 - Annual Financial Report for the Fiscal Year Ended June 30, 2010
 - (Including Independent Auditor's Report)

HAVE FUN AND MAKE IT YOURS!!!



NEW LOOK OF THE 2010 REPORTS

Other New Aspects of the 2010 Reports

- New Font
- Easier reading for the F/S users
- New Report Process



STANDARDS UPDATES – “THE GOOD , THE BAD AND THE UGLY”



GASB 51 Accounting and Financial Report for Intangible Assets

Definition

For the purposes of the Statement, an intangible asset possesses ALL of the following characteristics:

Lack of physical substance

Non-Financial Nature

Initial useful life extends beyond a single financial report period

Examples of Intangible Assets

- Easements
- Water Rights
- Timber Rights
- Patents
- Trademarks
- Computer Software



GASB 51 Accounting and Financial Report for Intangible Assets

- **All intangible assets** subject to Statement 51 should be classified as capital assets
- **Land Use Rights** – Are exempt from reporting under Statement 51 if they are/were acquired as a result of purchasing the land on which they exist.
- **Software – Two Categories**
 - (1) **Internally Generated:** software created by the government or by an entity for the government; or a commercial software that requires more than minimal incremental effort on the part of the government to begin to achieve its expected level of service capacity.
 - (2) **Commercial Off the Shelf (COTS)** – commercial software not requiring more than minimal incremental effort to begin to achieve an expected level of service.



•Software Development

- **Preliminary Stage** – Concept Formulation; evaluation of alternatives feasibility – Accounting Treatment Expense
- **Application Development** – Application Design; configuration of interfaces, coding, installation to hardware; testing – Accounting Treatment Capitalize
- **Post Implementation** – Application Training; software maintenance – Accounting Treatment – Expense

Software Modifications – May require capitalization if modification result in increased functionality; increased efficiency or extension of useful life

•Reporting Requirements

- Fiscal Year 2010
- Intangible assets acquired after June 30, 1980
- Retroactive reporting is required for intangible assets except internally generated (Restatement)
- Prospective for internally generated software

•What the auditor's expect to see:

- Updated Capitalization Policy
- Analysis of identification and valuing of intangible assets with supporting documentation
- Determination of useful lives and capitalization
- Capital Assets Note Disclosure including Restatement
- Restatement Note Disclosure for the Implementation of GASB 51

GASB 53 - Derivatives

What do the auditors expect to see:

- Policies and procedures in place to report new and existing derivative activity
- Inventory of all types of derivatives, including those used in operations, pension and OPEB Investments
- Third Party Valuation of derivatives as of the date of the Statement of Net Assets
- Supporting documentation for additional note disclosures



SAS 115 – “Communicating Internal Control Related Matters Identified in an Audit”

- Effective for Fiscal Year 2010 Engagements
- Supersedes SAS #112
- Defines the terms deficiency in internal control, significant deficiency, and material weakness
- Provides guidance on evaluating the severity of deficiencies in internal control identified in an audit of financial
- Requires the auditor to communicate in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an



A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and **correct misstatements on a timely basis.**



WHAT'S IN FOR 2010



SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA) PROCESS

- Web application for Schedule of Expenditures of Federal Awards for FY 2009 is the same as last year
- Application includes file upload and roll forward capabilities
- Application working space for adjustments
- SAO will send SEFA instructions
- Entity will prepare information for the Schedule of Expenditures of Federal Awards
- Entity will access the SEFA application
- Entity will upload file or roll forward SEFA information
- Entity will utilize application work space to ensure that data is accurate
- Entity will adjust and ensure that all errors identified by the application have been corrected
- Entity will finalize information and submit to SAO
- SAO will review data and submit to DOAA for audit purposes
- DOAA will review as part of audit procedures and ensure accuracy of data submitted
- DOAA will propose audit adjustments if deemed necessary and discuss adjustments with the entity
- DOAA will finalize review of the entity's SEFA
- Entity will receive an email from the SEFA application to approve or deny any auditor adjustments
- Entity will access the SEFA application and confirm/deny audit adjustments
- SAO will receive entity confirmation and finalize consolidating data for the Statewide Single Audit



SEFA ISSUES NOTED

- Federal Programs cannot be both a Loan Program and a Research and Development Program
- Student Financial Aid Cluster activity reported as R&D
- Pass Through activity incorrectly reported
- Non-Monetary amounts require a completed loan activity section
- Third Party Lendor Stafford Subsidized and Unsubsidized activity should be reported as non-monetary activity
- Federal Stabilization Funds not reported (CFDA #84.394)
- SEFA amounts should include indirect cost recovery
- SEFA expenditures should be reported on a GAAP basis





Department of Audits and Accounts

Expenditures of Federal Awards

[Home](#) | [Upload Data](#) | [View Schedule](#) | [Reports](#) | [Help](#) | [Exit](#)

Today's Date is: February 28, 2008

Entity: [404 - Department of Audits](#)

Submission Period: [July 1, 2006 - June 30, 2007](#)

Current Status: [Not Started](#)

Edit Program Details

*Program Number:

*Program Name:

Program Description:

*(if OFA is selected)

Please answer each of the following:

1. The funds for this program were given directly to your Organization as a Direct Grant?

☐ Yes | ☒ No

2. Did you receive this amount from another GA State Reporting Organization which includes all State Agencies, Universities/Colleges, Authorities, Commissions, etc... ?

☐ Yes | ☒ No

Organization ID (An FEI or unique number):

Organization Name:



Home	Browse Entities	Edit / View Schedule	Reports	Help	Exit
Manage Federal Programs		Manage Federal Agencies			

Edit Expenditure

*CFDA: *Program Name:

Program Description: *(if OFA is selected)

Please answer each of the following:

1. The funds for this program were given directly to your Organization as a Direct Grant? ☒ Yes ☐ No

Monetary/Nonmonetary GAAP Expenditures Amounts:

Monetary Amount:	<input type="text" value="84,723.46"/>
Nonmonetary Amount:	<input type="text" value="0.00"/>

Additional Program Questions:

3. Is the grant an ARRA grant? ☐ Yes ☒ No

4. Is the Grant a Research and Development Grant? ☐ Yes ☒ No

5. Do these expenditures include state and/or other Funds? ☐ Yes ☒ No

6. Does your organization provide amounts to subrecipients outside of the State Reporting Entity? ☐ Yes ☒ No

7. Is there any Loan Activity? ☒ Yes ☐ No

Please Fill in the Following for Loan Activity :

Monetary (Cash) Amounts (GAAP)

New Federal Capital:	<input type="text" value="0.00"/>
Federal Reimbursement:	<input type="text" value="0.00"/>
Administrative Cost:	<input type="text" value="0.00"/>

Nonmonetary (NonCash) Amounts

Loans Outstanding at Fiscal Year End:	<input type="text" value="0.00"/>
Loans Made During the Year:	<input type="text" value="0.00"/>



CFDA #	NAME OF FEDERAL LOAN PROGRAM	MONETARY COLUMN	NON-MONETARY
84.038	Perkins Loans	New Federal Capital - For New Loans Federal Reimbursement - For Defaulted Loans Federal Reimbursement - For Administrative Costs	Loans Outstanding as of June 30th
84.268	Federal Direct Loans	Loans Made During the Fiscal Year	
84.032	FFEL		Loans Made During the Fiscal Year
93.364	Nursing Student Loans		Loans Outstanding as of June 30th
93.342	Health Professions Student Loans		Loans Outstanding as of June 30th



Single Audit Report Information

- Instructions for data submission prepared and sent out by the State Accounting Office
- Summary Status of Prior Year Findings
- SEFA Due August 15
- Corrective Action Plans



OCGA 50-20-5

“..State organizations entering into agreements with nonprofit organizations shall report to the state auditor all such agreements and shall provide each individual nonprofit organization’s name, fiscal year end, contract amount, and other information as required by the State Auditor.”

- Expect Instructions Letter September 2010
- Submit via DOAA website
- Exceptions
- PPV Agreements
- OCGA 50-20-1 thru 8 Reporting requirements for Non Profit Organizations



Open Georgia/Transparency in Government

- Payment and Obligation files due October 15
- Submission Process
- Payments and Obligations Issues
 - Confidential Information should be removed
 - Petty Cash reimbursements should be included
 - Voids
 - Journal Entries
 - Prepaid Items
 - Duplicates in the two files
 - Corrections can be made in DOAA system



Open Georgia/Transparency in Government

- SB 389

“ An indexed listing of all agencies and end users receiving any federal pass-through moneys and an itemized enumeration of the expenditure of such moneys.”

What does this mean?





Salary and Travel Reporting


- System Revamped for 2010
- Alignment with SEFA and Payments & Contracts


Salary, Travel and Professional Services


OPEN.GA.GOV


Home


Upload


Browse Files

Confirm

Reports


Contact Info


Help


Exit


Entity Name

Submission Progress:











Step 1: Upload Files 

Step 2: Review Records 

Step 3: Review/Add Contact Information 

Step 4: Confirm Files 

Required Files:

Entity	File Type	Upload	Review	Contact Info	Confirm	Action Required
AUDITS AND ACCOUNTS, DEPARTMENT OF	SALARY TRAVEL					 Confirmation
AUDITS AND ACCOUNTS, DEPARTMENT OF	PROF SERVICES					 Upload



WorkFlow Changes

- 4 Step Process: Upload, Review & Confirm, Confirm Contact, Confirm Process Complete
- Data Upload brings STP records into a Workspace to allow correction of errors
- Errors will be tagged with a red flag
 - New Validation Rule – Must have First & Last Name
- Records can be filtered for specific error types
 - Job Code Errors
 - Duplicates



Other Changes

- SSN will be encrypted and only viewable using a passphrase
- User will be prompted to enter the passphrase when entering the application
- Confirmation of Contact Information for open.georgia.gov – This person will be recorded at the State Help Desk for your institution for any questions related to your STP information.



General Controls & Applications Controls



CHANGES IN PROCESS

New for 2010

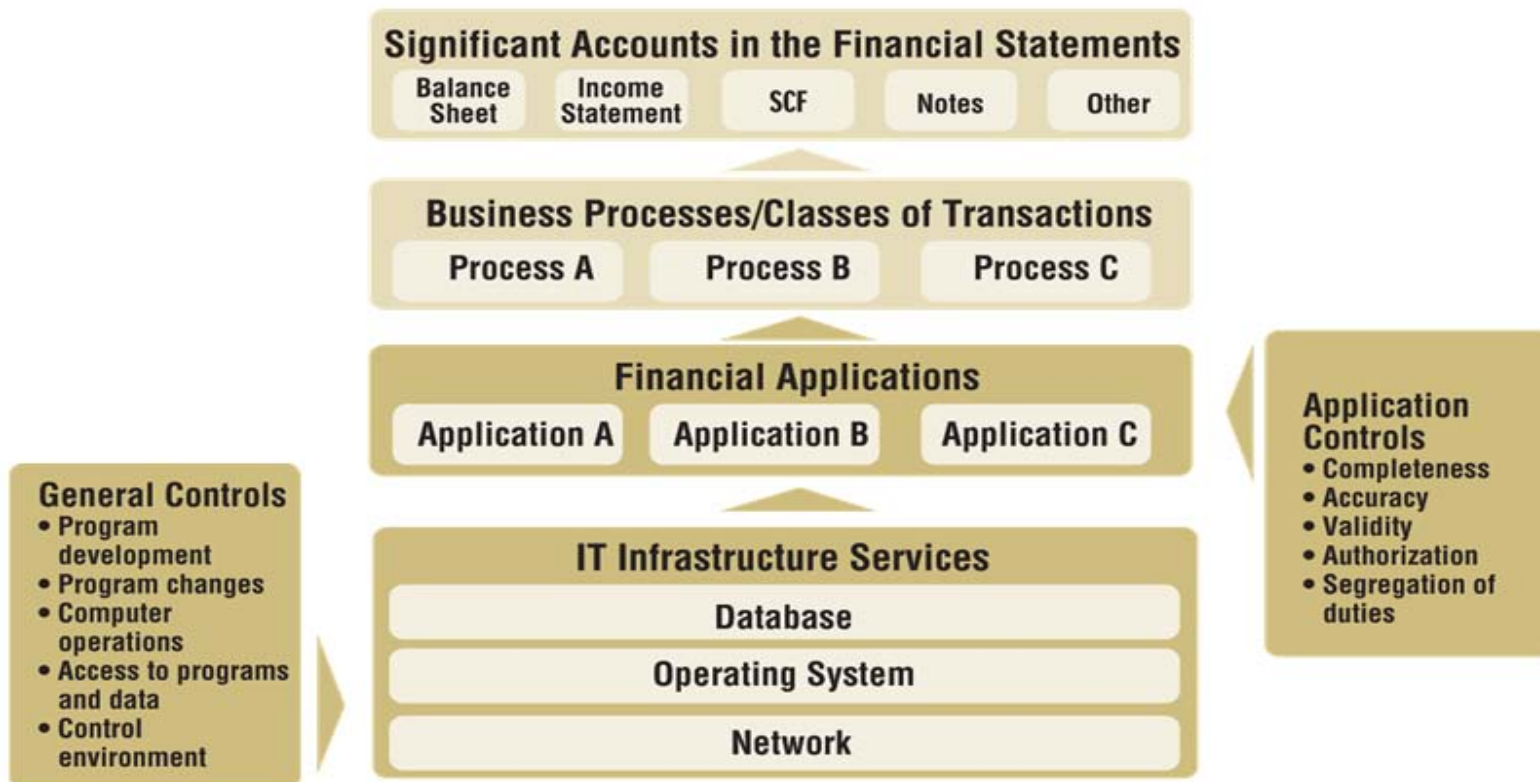
- Realignment of TRA objectives
- More Centralized Planning

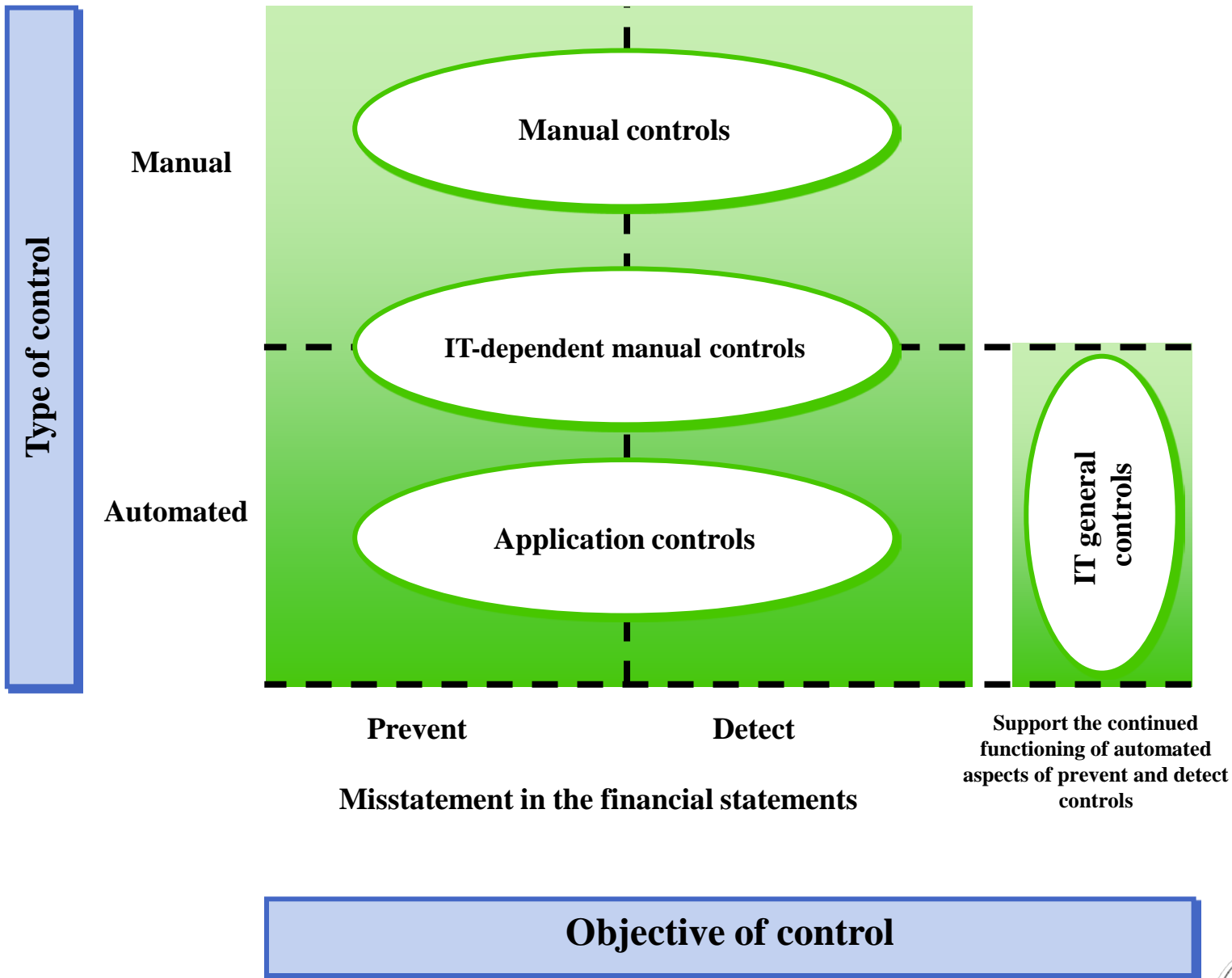
Goals:

- Greater Effectiveness
- Greater Efficiency
- More Consistency



IT ENVIRONMENT





ROLES OF EACH DIVISION

Technology Risk Assurance

- Walkthrough of General IT Controls
 - ☐ Change Management
 - ☐ Logical Access
 - ☐ IT Operations
- Preliminary and Final Risk Assessments for IT Risk provided to Financial Audit Staff
 - ☐ Assessment of whether the General Controls over the IT Environment are Effective
- Any deficiencies identified communicated to “Those Charged With Governance” through a Management Letter



ROLES FOR EACH DIVISION

Education Audit Division

- Identification of Significant/Material Account Balances
- Performance of Walkthroughs over Business Processes (including an understanding of the how systems are integrated)
- Assessment of Risk of Material Misstatement & Creation and Performance of Audit Plan
- Opining on Financial Statements



INTEGRATION OF DIVISION ROLES/RESULTS

- Financial Auditors use the assessment performed by TRA in determining the RMM over material account balances
- The assessments gives us assurance on whether the documentation/information provided through the system (reports, screen prints, queries, etc.) can be relied on during our control and substantive testing.



GeorgiaFirst Consolidation Project Testing

- Two Parts:
 - (1) Centralized Level Testing
 - Project Plan, Implementation, Testing, Documenting, etc.
 - (2) Institutional Level Testing
 - Logical Access – User Roles/Rights, segregation of duties, etc.



ADP Testing

- Three Parts:

- (1) Review of all ADP SAS 70 Reports

- (2) Centralized Level Testing

- Contract Review, Project Plan, Implementation Project management, Risk Analysis, Statement of Work, Change Controls, Testing, Training, User Acceptance Testing, Problem Resolution, etc.

- (3) Institutional Level Testing

- Logical Access, Segregation of Duties, Data Input Validation, Review of Exception Reports, Review of Details, Benefit Payment Reconciliations, etc.



Other Testing and Other Items

Other Testing:

- Anomaly Testing
- Capital Gifts and Grants
- Long Term Liabilities
- BANNER

Other Items:

- No changes to the Risk Assessment Questionnaire
- Confidentiality Agreement
- Auditor Access
- Upcoming Training
- New DOAA Website



Conclusion

Questions?

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